



# Dave Yost • Auditor of State

## EXTENSION AGREEMENT

This Agreement between Auditor of State Dave Yost (Auditor), City of Lakewood  
Cuyahoga County (Public Office), and James G. Zupka, CPA, Inc. an  
independent public accountant (IPA), extends an existing agreement between these parties as identified in SECTION  
I below and incorporated herein by reference. These parties agree to abide by all terms and conditions of the  
original agreement, except as specifically identified in Section II below, and that no remuneration will be granted  
in relation to work performed under this modification/extension prior to the execution of this Agreement by  
all parties.

### SECTION I – ORIGINAL CONTRACT INFORMATION

Public Office Name on RFP	<u>City of Lakewood</u>	
Original Contract Period	<u>01/01/2014 - 12/31/2017</u>	
Date RFP was issued	<u>9/3/2014</u>	Date MOA Executed <u>10/8/2014</u>
Public Office Contact	<u>Jennifer Pae</u>	E-mail <u>jennifer.pae@lakewoodoh.net</u>
IPA Contact	<u>James G. Zupka, CPA, Inc.</u>	E-mail <u>jgz@jzcpa.com</u>

### SECTION II – EXTENSION INFORMATION

Extension Period: 1/1/2018 to 12/31/2018  
Check one: Annual Audit ☒ or Biennial Audit ☐

The RFP and related contract are hereby amended for the audit periods noted above as follows:

#### Work Papers, Work Product, and Records Retention

The IPA will maintain all engagement documentation in segregated files. The IPA agrees to provide the Auditor of State unconditional access to examine and review engagement documentation created or obtained by the IPA involving its performance under the contract. The IPA agrees to provide copies of any engagement documentation determined necessary by the Auditor of State. The Auditor of State is bound by ORC 4701.19, which provides that an IPA's engagement documentation remains the property of the IPA, even in the possession of the Auditor of State's office, and are not public records available for public disclosure. In the case of support for a finding for recovery, the Auditor of State may request the IPA to sign a limited waiver of this statutory provision. The IPA also will maintain and provide access to timesheets and expense reports that support the IPA's invoices under the contract. All such engagement documentation, timesheets, and expense reports shall be retained by the IPA for a period of five (5) years from the date of completion of the contract.

#### Review of Reports and Work Papers – Access to / Retention Thereof

Furthermore, should it be necessary for AOS to send a notice of proposed finding regarding a potential finding for recovery, AOS will require the IPA to execute a limited waiver, to be prepared by AOS. It is the AOS' policy to allow the individual subject to the proposed FFR to review the engagement documentation (i.e. work papers) on which the proposed finding is based. Since Ohio Rev. Code § 4701.19 provides that an IPA's engagement documentation remains the property of the IPA, even in the possession of the AOS, it is necessary for the IPA to execute the limited waiver for the sole purpose of permitting AOS to show supporting documents (i.e. work papers) to those subject to proposed findings for recovery.

## SECTION II – EXTENSION INFORMATION (continued)

### Federal Awards

The IPA firm anticipates 1 major programs to be included in the Single Audit testing for each year of the contract.

### Contract Modifications

Modifications should only be requested for issues which were not known at the time of the original proposal, including but not limited to, changes in accounting or professional standards, changes in reporting entity, significant changes in funding, due date changes, etc. IPAs must utilize the Contract Modification application via the IPA Portal, after any necessary discussions with the Auditor of State representative, and obtain the Public Office's approval per the Auditor of State's contract modification policy. The Auditor of State will review, and if determined appropriate, approve the signed contract modification, which will set forth the terms of the contract between the Auditor of State, the Public Office and the firm. Such agreement must be executed by the Auditor of State prior to the performance of any additional work. No remuneration will be granted in relation to work performed prior to execution of such agreement. Any additions or reductions to the work agreed to between the Public Office and the firm shall be at an hourly rate that will not exceed the average hourly rate for the corresponding fiscal period set forth in the schedule of fees and expenses included in the original dollar cost bid, except in limited circumstances approved by the Auditor of State where the total cost for the audit period does not exceed the original proposed amount.

The IPA agrees to work closely with the Auditor of State's office and the Public Office to resolve issues as they arise prior to performance of additional procedures perceived to be beyond the scope of a prudent proposal submitted in response to this Request for Proposals.

Note: If the contract requires MBE/EDGE participation (Section I.E), any change in hours must be evaluated to determine the impact on the 15% cost requirement. Any change in cost would impact the dollar amount required to be set aside for the MBE/EDGE firm. If the modification causes the hours to exceed 800, a MBE/EDGE firm must be added to the engagement for the affected period.

### Hinkle Annual Financial Data Reporting System (Hinkle System)

As required by Ohio Revised Code 117.38, public offices must file their annual financial reports with the Auditor of State (AOS). As described in Auditor of State Bulletin 2015-007, all entities required to file with the AOS must file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System).

As required by the Bulletin, any independent public accounting (IPA) firms contracted to perform audits for the AOS will audit the financial statements uploaded and submitted to the AOS via the Hinkle System. At the commencement of the audit, the IPA will verify with the entity that the financial statements submitted via the Hinkle System are the final, unaudited financial statements for the audit period. If the financial statements required modification, the entity must contact the AOS at [HinkleSystem@ohioauditor.gov](mailto:HinkleSystem@ohioauditor.gov) in order to re-file.

When financial statements filed via the Hinkle System are audited by the IPA firm, the Hinkle System will include an audit adjustment application which requires the IPA firm to key in audit adjustments for cities, counties, schools, community schools, townships, libraries and villages to Hinkle System data as part of the audit finalization procedures. The adjustments should be entered prior to submitting the final report package to [ipareport@ohioauditor.gov](mailto:ipareport@ohioauditor.gov) (or faxed to 866-603-0003).



Extension Agreement  
City of Lakewood

## SECTION II – EXTENSION INFORMATION (continued)

### Manner of Payment

The Auditor of State requires that electronic invoices be submitted for Auditor of State approval via the IPA Portal billing process prior to presenting the invoice to the Public Office for payment. No payments should be processed by the Public Office without Auditor of State approval.

Progress payments should be made on the basis of work completed during the billing period incurred in accordance with the firm's cost proposal. Interim billings shall cover a period of not less than a calendar month. Billings for work completed must be submitted to the Auditor of State timely.

For the final billing, invoices will be processed as above; however, they must provide total actual hours for the engagement. In addition, invoices must be submitted no later than 90 days after the release of the report by the Auditor of State's Clerk of the Bureau. Invoices may NOT be permitted to be submitted and accepted for processing after the 90 days have expired.

All invoices must certify that all amounts set forth therein are properly due and payable for work performed by the IPA and/or by the specified qualified subcontractors, if applicable.

Subject to approval of the billing, the amount paid to the IPA for each billing shall be the total amount billed. However, under no circumstances shall the total amount paid prior to final acceptance of the engagement work for the fiscal period in question exceed eighty (80) percent of the total fee for the current engagement fiscal period, as specified in the contract. Upon approval of the final reports by the Auditor of State, the IPA may submit an invoice for the remainder due for the current engagement fiscal period. No payment shall be construed as acceptance of the engagement work or of any reports by the Auditor of State.

The Auditor of State may inspect the records and work papers of the IPA and of any subcontractor to determine the validity of billings. Adequate records shall be maintained by the IPA to support all billings.

### Date Final Report is Due

It is anticipated this process will be completed and the final report delivered by June 30th for each engagement period of the contract. The final report package should be e-mailed to [ipareport@ohioauditor.gov](mailto:ipareport@ohioauditor.gov) no later than this date.

### Affirmations

If the Mandatory Elements Form is provided, the IPA shall mark "Affirmed" or "N/A," as applicable, for each of the affirmations noted on the Mandatory Elements Form.

Cost: Refer to the attached Schedule of Professional Fees and Expenses for details related to the costs associated with this Extension.

### Indemnification

The IPA shall indemnify, defend, and hold harmless the Auditor of State, and its personnel, officers, and employees from and against any claims, liabilities, expenses or suits relating to this Agreement or the services provided by the IPA under this Agreement as to any suit, action, or claim asserted or prosecuted by third parties solely for death, bodily injury, or physical damage to real or tangible personal property to the extent directly and proximately caused by the negligent acts or intentional misconduct of the IPA or its subcontractor while engaged in the performance of the Services; and, at its own expense in any such instances, the IPA shall pay all attorneys' fees, damages, court costs, and other expenses arising out of any such litigation or claim; and, at its own expense, the IPA shall satisfy and cause to be discharged any judgments as may be obtained against the Auditor of State or any of its personnel, officers, or employees pursuant to any such litigation or claim, provided, however, if there is also fault on the part of any entity or individual indemnified hereunder or any entity or individual acting on the Auditor of State's behalf, the foregoing indemnification shall be on a comparative fault basis.

Completed forms should be e-mailed to: [IPACorrespondence@ohioauditor.gov](mailto:IPACorrespondence@ohioauditor.gov) (or faxed to 866-603-0003)

**SECTION II – EXTENSION INFORMATION (continued)**

The IPA shall indemnify, defend and hold harmless the Auditor of State and its personnel from all Claims attributable to the claims or suits asserted or prosecuted by third parties for infringement by a Deliverable of any patent existing at the time of delivery and known to the IPA or copyright or any unauthorized use of any trade secret, except to the extent that such infringement or unauthorized use arises from, or could have been avoided except for (i) modification of such Deliverable other than by the IPA or its subcontractors or use thereof in a manner not contemplated by the Agreement, (ii) the failure of the indemnified party to use any corrections or modifications made available by the IPA, (iii) information, materials, instructions, specifications, requirements or designs provided by or on behalf of the indemnified party, or (iv) the use of such Deliverable in combination with any platform, product, network or data not provided by the IPA. If the Auditor of State or the Client's use of any such Deliverable, or any portion thereof, is or is likely to be enjoined by order of a court of competent jurisdiction as such an infringement or unauthorized use, the IPA, at its option and expense, shall have the right to (x) procure for Auditor of State and Client the continued use of such Deliverable, (y) replace such Deliverable with a non-infringing Deliverable, or (z) modify such Deliverable so it becomes non infringing; provided that, if (y) or (z) is the option chosen by the IPA, the replacement or modified Deliverable is capable of performing substantially the same function. In the event the IPA cannot reasonably procure, replace or modify such Deliverable in accordance with the immediately preceding sentence, the IPA may require the Auditor of State and Client to cease use of such Deliverable and refund the professional fees paid to the IPA with respect to the Services giving rise to such Deliverable.

The foregoing provisions of this Section constitute the sole and exclusive remedy of the indemnified parties, and the sole and exclusive obligation of the IPA, relating to a claim that any of the IPA's Deliverables infringes any patent, copyright or other intellectual property right of a third party.

As a condition to the foregoing indemnity obligations, the IPA shall be given written notice of the assertion of such claims or suits for which indemnification is sought (an "Indemnity Claim") promptly after such matters are brought to the attention of the Auditor of State and shall cooperate in all reasonable and customary respects with the IPA in connection with any such Indemnity Claim, suit or claim covered by the indemnity obligation. The IPA shall be entitled to defend, settle, and control the handling of any such Indemnity Claim, in its sole discretion, with counsel of its own choosing. The IPA, however, shall not settle any such Indemnity Claim without the prior written consent of the Auditor of State (which shall not be unreasonably withheld) except such consent is not required if (1) the sole relief provided is the payment of monetary damages by the IPA or, to the extent that any non-monetary relief is provided, such non-monetary relief is applicable only to the IPA, (2) there is no admission of any fault or wrongdoing on the part of the Auditor of State, and (3) the compromise or settlement contains a full and unconditional release (other than a condition of receipt of payment from the IPA) of the Auditor of State from liability in respect of such Indemnity Claim. Subject to the assent of the Attorney General of Ohio, the Auditor of State shall be permitted to participate in (but not control) the defense and settlement of any such Indemnity Claim that impacts the interest of the state of Ohio and to employ separate counsel in connection with such Indemnity Claim. The fees and expenses of such separate counsel shall be at the Auditor of State's expense. Nothing contained herein, however, is intended to confer to any third party any right or benefits hereunder; nor is the foregoing indemnification obligation intended to alter or extend the IPA firm's liability for failure to comply with the terms of the Agreement or for professional negligence or misconduct.

The IPA shall be solely responsible to Auditor of State and the Client for the performance of the services provided by the IPA under this Agreement. The Client agrees that it will not bring any claims or suits arising from or relating to the IPA's performance of the services under this Agreement against the Auditor of State.



Extension Agreement  
City of Lakewood

### SECTION III - RECITALS/APPROVAL

Due to the need for a contract extension, as stated in SECTION II above, the parties with intent to be legally bound agree as follows:

1. IPA shall, in the performance of its engagements related to the Public Office for the fiscal period(s) set forth in the original Contract, previous Modification Agreements, and in this Agreement, perform all engagement work as set forth in the original Memorandum of Agreement, previous Modifications Agreements and in this Agreement;
2. The performance of the engagement work provided for in this Agreement, and all related payments provided for herein, shall in all respects be subject to the terms and conditions set forth in the original Contract;
3. Should this extension result in the total hours of the contract to exceed the threshold established for use of a MBE/EDGE subcontractor, the IPA shall follow all minority participation and other relevant requirements of the original contract. If applicable, the required MBE/EDGE subcontractor with respect to this Agreement will be:

Subcontractor: \_\_\_\_\_

Address: \_\_\_\_\_

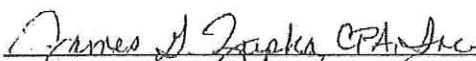
4. Should this extension involve the use of other subcontractors, the IPA shall follow all relevant requirements of the original contract. If applicable, the other subcontractor with respect to this Agreement will be:

Subcontractor: \_\_\_\_\_

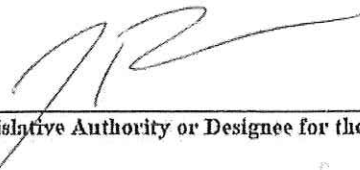
Address: \_\_\_\_\_

In the event of any conflict or inconsistency between the provisions of this Agreement and the parties' prior contract, the provisions of this Agreement shall control in all respects.

IN WITNESS WHEREOF, Auditor, Public Office and IPA have executed this agreement.

  
James G. Zupka, CPA, Inc.

August 7, 2018  
Date

  
Legislative Authority or Designee for the City of Lakewood

  
Date

Ami M. Mayne

Digitally signed by Ami M. Mayne  
DN: dc=us, dc=oh, dc=state, dc=auditor,  
ou=AOS, ou=Audit Administration, cn=Ami M.  
Mayne, email=AMMayne@ohioauditor.gov  
Date: 2018.08.21 09:18:04 -04'00'

Auditor of State

Date

Approved As To Legal Form:

  
Jennifer Unsworth

Director of Law, City of Lakewood

Completed forms should be e-mailed to: [IPACorrespondence@ohioauditor.gov](mailto:IPACorrespondence@ohioauditor.gov) (or faxed to 866-603-0003)

City of Lakewood  
Cuyahoga County

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
TO SUPPORT THE TOTAL ALL-INCLUSIVE FIXED FEE  
FOR AUDIT SERVICES – January 1, 2018 through December 31, 2018 EXTENSION

		<u>Hours</u>	<u>Average Hourly Rate</u>	<u>Total Fixed fee</u>	<u>Amount attributed to MBE/EDGE (if applicable)</u>
Partners		<u>80</u>			
Managers		<u>86</u>			
Supervisory staff		<u>190</u>			
Staff		<u>144</u>			
Other (specify):		<u>0</u>			
Total for period ending	2018	<u>500</u>	<u>\$ 80</u>	<u>\$ 40,000</u>	<u>\$</u>
		<u>Hours</u>	<u>Average Hourly Rate</u>	<u>Total Fixed fee</u>	<u>Amount attributed to MBE/EDGE (if applicable)</u>
Fiscal period ending	20xx	<u></u>	<u>\$</u>	<u>\$ 0</u>	<u>\$</u>
Fiscal period ending	20xx	<u></u>	<u>\$</u>	<u>\$ 0</u>	<u>\$</u>
Fiscal period ending	20xx	<u></u>	<u>\$</u>	<u>\$ 0</u>	<u>\$</u>
Fiscal period ending	20xx	<u></u>	<u>\$</u>	<u>\$ 0</u>	<u>\$</u>
Total for fiscal periods	2018	<u>500</u>	<u>\$ 80</u>	<u>\$ 40,000</u>	<u>\$ 0</u>

Approved As To Legal Form  
Director - City of Lakewood

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

August 16, 2018

Ms. Jennifer Pae  
Finance Director  
City of Lakewood  
12650 Detroit Avenue  
Lakewood, Ohio 44107

Dear Ms. Pae:

This letter confirms our recent discussion regarding professional accounting services our firm can provide the City of Lakewood, Ohio.

We will provide the following services to prepare the financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and all other GASB statements applicable to the preparation of the financial statements and the CAFR for the years ended December 31, 2018 through December 31, 2020:

1. We will assist and review the Management's Discussion and Analysis which will include the following components:
  - a. Description of the basic financial statements
  - b. Provision of condensed government-wide financial information in the form of condensed financial statements
  - c. Analysis of the overall financial position and results of operations for governmental activities and business-type activities
  - d. Discussion of significant transactions and changes in individual funds
  - e. Discussion of what happened with the budget this year
  - f. Description of capital assets and long-term debt activity during the year
  - g. Description of what happened to infrastructure assets
  - h. Description of any currently known facts, decisions, or conditions that are expected to have a significant effect on next year and beyond
2. We will prepare the two types of basic financial statements: government-wide statements and fund financial statements. In relation to these statement, the following areas will be addressed:

*Assets and Deferred Outflows of Resources*

- a. Distinction between governmental and business-type activities
- b. Review the capital assets, including infrastructure assets and depreciation schedule prepared by the City

*Liabilities and Deferred Inflows of Resources*

- a. Distinction between governmental and business-type activities
- b. Review of City prepared accounts payable and accrued liabilities by fund/function



2. (Continued)

Net Position

- a. Distinction between governmental and business-type activities
- b. Conversion of fund balances to the three components of net position required for government-wide reporting
  1. Invested in capital assets, net of related debt
  2. Restricted
  3. Unrestricted

Revenues

City will assist in the identification and reporting of revenues as program revenues and general revenues

Expenses

- a. Identification and reporting of expenses by function/program
- b. Identification and reporting of indirect expenses, if applicable

Fund Financial Statements

- a. Identification and reporting of major and nonmajor funds for financial statement presentation
- b. Reconciliation of governmental fund statements to governmental entity-wide statements

Footnote Disclosures

Modification of footnote disclosures as deemed necessary by new GASB Statements

3. We will assist with the preparation of the budgetary comparison schedules to include both the original and final budgets for the general and major special revenue funds. We will also assist with the preparation of budgetary schedules for all other funds.
4. City will assist with preparation of the Statistical Section which is in accordance with GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

We wish to emphasize that our services do not include an audit of the financial statements in accordance with generally accepted auditing standards, nor an expression of opinion as to their fair presentation. Further, our services are not specifically designed and cannot be relied upon to disclose defalcations or other irregularities although, if present, their discovery may result.

Our proposed fees are based on the level of services we provide to your City. The following estimate was prepared based on our recent conversation and assumes information and documents we discussed will be provided by your staff.



Ms. Jennifer Pae, Finance Director  
City of Lakewood  
August 16, 2018  
Page 3

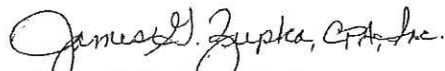
Our fee for preparation of the basic financial statement services will be based upon the amount of time required for such services. We have listed detailed information regarding hours and fees in the attachment. We will invoice only for the hours incurred on this engagement. Should we encounter circumstances that would increase the estimated hours, we will advise you and the increased hours would be agreed to by both parties prior to any changes. We will complete the basic financial statements and the Comprehensive Annual Financial Report by May 15<sup>th</sup> of each year under contract.

Should services other than those covered by this letter be required or requested, their extent and the additional fees will be discussed before we perform the work.

We shall be pleased to discuss this letter with you at any time and to explain the reasons for any item. We appreciate this opportunity to respond to your request for accounting services and we are looking forward to working with you and your staff on this engagement.

If the terms above are acceptable to the City of Lakewood and the services outlined are in accordance with the City's requirements, please sign the copy of this letter in the space provided and return it to us.

Sincerely,

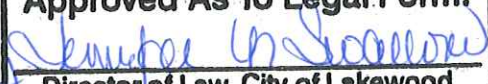
  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

Accepted by the City of Lakewood

By 

Title Director of Finance

Date 10/2/18

  
**Approved As To Legal Form:**  
Director of Law, City of Lakewood

## SCHEDULE OF FEES

The following lists the anticipated hours and hourly rate to accomplish the proposed accounting services for the City of Lakewood for the period December 31, 2015 through December 31, 2018. These fees include implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Postemployment Benefits Other Than Pensions*.

<u>Staff</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Partner	10	10	10
Manager	140	140	140
Staff Accountant	40	40	40
Total Hours	190	190	190
Hourly Rate	\$ 91	\$ 91	\$ 92
Total Fees	<u>\$ 17,290</u>	<u>\$ 17,290</u>	<u>\$ 17,480</u>